

proposal exceeds the cost or pricing data threshold at FAR 15.403-4(a)(1).

[63 FR 55040, Oct. 14, 1998, as amended at 71 FR 69493, Dec. 1, 2006; 72 FR 30278, May 31, 2007; 76 FR 58137, Sept. 20, 2011]

**215.403-3 Requiring information other than cost or pricing data.**

Follow the procedures at PGI 215.403-3.

[72 FR 30278, May 31, 2007]

**215.404 Proposal analysis.**

**215.404-1 Proposal analysis techniques.**

(1) Follow the procedures at PGI 215.404-1 for proposal analysis.

(2) For spare parts or support equipment, perform an analysis of—

(i) Those line items where the proposed price exceeds by 25 percent or more the lowest price the Government has paid within the most recent 12-month period based on reasonably available information;

(ii) Those line items where a comparison of the item description and the proposal price indicates a potential for overpricing;

(iii) Significant high-dollar-value items. If there are no obvious high-dollar-value items, include an analysis of a random sample of items; and

(iv) A random sample of the remaining low-dollar value items. Sample size may be determined by subjective judgment, e.g., experience with the offeror and the reliability of its estimating and accounting systems.

[63 FR 55040, Oct. 14, 1998, as amended at 71 FR 69494, Dec. 1, 2006; 72 FR 30278, May 31, 2007]

**215.404-2 Information to support proposal analysis.**

See PGI 215.404-2 for guidance on obtaining field pricing or audit assistance.

[71 FR 69494, Dec. 1, 2006]

**215.404-3 Subcontract pricing considerations.**

Follow the procedures at PGI 215.404-3 when reviewing a subcontractor's proposal.

[71 FR 69494, Dec. 1, 2006]

**215.404-4 Profit.**

(b) *Policy.* (1) Contracting officers shall use a structured approach for developing a prenegotiation profit or fee objective on any negotiated contract action when cost or pricing data is obtained, except for cost-plus-award-fee contracts (see 215.404-74, 216.405-2, and FAR 16.405-2) or contracts with Federally Funded Research and Development Centers (FFRDCs) (see 215.404-75). There are three structured approaches—

(A) The weighted guidelines method;  
(B) The modified weighted guidelines method; and

(C) An alternate structured approach.

(c) *Contracting officer responsibilities.*

(1) Also, do not perform a profit analysis when assessing cost realism in competitive acquisitions.

(2) When using a structured approach, the contracting officer—

(A) Shall use the weighted guidelines method (see 215.404-71), except as provided in paragraphs (c)(2)(B) and (c)(2)(C) of this subsection.

(B) Shall use the modified weighted guidelines method (see 215.404-72) on contract actions with nonprofit organizations other than FFRDCs.

(C) May use an alternate structured approach (see 215.404-73) when—

(1) The contract action is—

(i) At or below the cost or pricing data threshold (see FAR 15.403-4(a)(1));

(ii) For architect-engineer or construction work;

(iii) Primarily for delivery of material from subcontractors; or

(iv) A termination settlement; or

(2) The weighted guidelines method does not produce a reasonable overall profit objective and the head of the contracting activity approves use of the alternate approach in writing.

(D) Shall use the weighted guidelines method to establish a basic profit rate under a formula-type pricing agreement, and may then use the basic rate on all actions under the agreement, provided that conditions affecting profit do not change.

(E) Shall document the profit analysis in the contract file.